

Analyst Briefing Notes
Budget Committee Review
(February 8, 2007)

Page

PART 1: CAPITAL PROGRAM

Executive Summary2

Recommendations3

2006 Capital Variance Review4

5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan).....5

5-Year Capital Plan Overview.....6

Recommended Changes to 5-Year Plan.....7

Total 2007 Recommended Cash Flow & Future Year Commitments.....8

Operating Budget Impact.....9

PART II: ISSUES FOR DISCUSSION

2007 Capital Budget Issues.....10

5-Year Capital Plan Issues.....10

APPENDICES

Appendix 1: 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 EstimatesA1 to A2

Appendix 2: 2007 Recommended Cash Flow & Future Year Commitments.....A3 to A4

Appendix 3: 2007 Recommended Capital Projects with Financing DetailsA5

Appendix 4: Reserve / Reserve Fund ReviewA6

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$2.600 million was \$0.073 million or 3% spent as at September 30th, 2006. The year-to-date under-spending is mainly due to longer than anticipated start-up delays. Firm expenditure commitments during the fourth quarter of 2006 will result in a year-end expenditure totalling \$1.350 million, or 52% of the Approved Budget. The remaining unspent 2006 funding of \$1.250 million is recommended to be carried forward into the 2007 Recommended Budget.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates totals \$8.700 million of which \$8.700 million is projected for the Program's 5-Year Capital Plan, fully funded from the Provincial Offences Courts Stabilization Reserve Fund. The 2007 Recommended Capital Budget includes:
 - previously approved commitments requiring 2007 cash flow of \$3.100 million. This cash flow combined with carry forward funding of \$1.250 million for 2006 projects brings the total 2007 Recommended Capital Budget to \$4.350 million, and
 - future year commitments of \$2.000 million in 2008 for the POA Application Development project; and \$1.275 million in 2008 and \$0.425 million in 2009 to complete the renovation of Courthouse Facilities in the South District.
- The Court Services' Recommended 5-Year Capital Plan has been developed in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General. The capital investment is required to carry out the City's legislative responsibility to provide well secured courthouse facilities with adequate space and suitable technological infrastructure.
- The 2007 Recommended Capital Budget includes funding for technological requirements and facility renovations:
 - POA Application Development
In 2007 a high tech Digital Audio Recording system will fully replace the existing old and obsolete audio tape equipment system to record/transcribe court proceedings and support staff in providing higher levels of service to the public.
 - Renovation of Courthouse Facilities in South and East Districts.
The renovation work at Metro Hall, 137 Edward Street, 481 University Avenue and 1530 Markham Road will be completed in 2007.
- Court Services has no backlog of projects.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Capital Budget for Court Services with a 2007 cash flow of \$4.350 million and future year commitments totalling \$3.700 million, comprised of \$3.275 million in 2008 and \$0.425 million in 2009 be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for 2 previously approved sub-projects with a 2007 cash flow of \$3.100 million and future year commitments of \$3.275 million in 2008 and \$0.425 million in 2009; and
 - b) 2007 approved cash flow for 3 previously approved sub-projects with carry forward funding from 2006 into 2007 totalling \$1.250 million;
2. operating impacts of \$0.036 million starting in 2008, with incremental costs of \$0.002 million in 2009, \$0.003 million in 2010 and \$0.002 million in 2011 emanating from the approval of the 2007 Capital Budget, be approved for inclusion in the future year operating budgets;
3. the 2008-2011 Capital Plan totalling \$5.600 million in project commitments and estimates, comprised of \$3.525 million in 2008; \$1.125 million in 2009; and \$0.950 million in 2010, be approved.

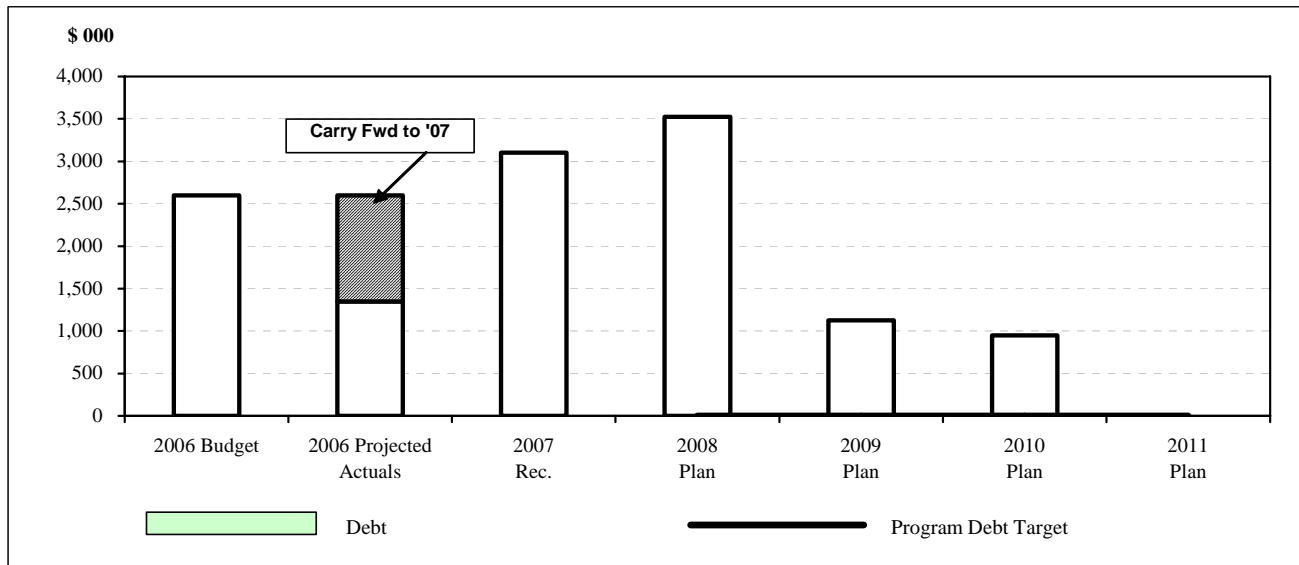
2006 Capital Variance Review

2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
2,600	73	3	1,350	52	1,250

Comments / Issues:

- At the end of the 3rd quarter, Court Services spent \$0.073 million or 3% of its 2006 Approved Cash Flow Budget of \$2.600 million. The under-spending is mainly due to longer than anticipated start-up delays in purchasing and installing Digital Audio Recording equipment for the POA Application Development Project and the renovation work to Courthouse Facilities in the South and East Districts.
- Actual spending by year-end is projected to be \$1.350 million or 52% of the 2006 Approved Budget, as reported in the 3rd Quarter Capital Variance Report.
- Projected unspent funding in the amount of \$1.250 million is recommended to be carried forward to 2007 to complete the purchase and installation of Digital Audio Recording equipment and continue with the Courthouse Facility renovation work:
 - POA Application Development; Replacement of the Audio Cassette Tape Recording Equipment system with Digital Technology system - \$0.800 million, and
 - Renovation of Courthouse facilities in the South and East Districts - \$0.450 million.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan						
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	2007-2011	
Gross Expenditures:									
Capital Budget & Future Year Commitments	2,600	1,350	3,100	3,275	425	0	0	6,800	
New Plan Estimates				250	700	950	0	1,900	
* 1-Year Carry Forward to 2007		1,250	→						
Total Gross Annual Expenditures & Plan	2,600	2,600	3,100	3,525	1,125	950	0	8,700	
Program Debt Target	0	0	0	0	0	0	0	0	
Financing:									
Recommended Debt	0	0	0	0	0	0	0	0	
Other Financing Sources:									
Reserves/Reserve Funds	2,600	1,350	3,100	3,525	1,125	950		8,700	
Development Charges								0	
Federal								0	
Provincial								0	
Other Revenue								0	
Total Financing	2,600	1,350	3,100	3,525	1,125	950	0	8,700	
By Category:									
Health & Safety									
Legislative	2,600	1,350	3,100	3,525	1,125	950		8,700	
SOGR								0	
Service Improvement								0	
Growth Related									
Total By Category	2,600	1,350	3,100	3,525	1,125	950	0	8,700	
Yearly SOGR Backlog Estimate (not addressed by current plan)								0	
Accumulated Backlog Estimate (end of year)								0	
Operating Impact on Program Costs			0	36	38	41	43	158	
Debt Service Costs			0	0	0	0	0	0	

* Note: The 1-Year Carry Forward is based on the 3rd. Quarter Capital Variance Report

5-Year Capital Plan Overview

Overview

The Court Services' 5-Year Plan has been developed to emphasize the City's responsibility to provide well secured courthouse facilities with adequate space and suitable technological infrastructure. The Plan, totalling \$9.950 million, including the Recommended carry forward funding, into 2007, of \$1.250 million, is in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General. All projects in the Recommended 5-Year Plan are funded by the Provincial Offences Courts Stabilization Reserve Fund.

The Court Services 5-Year Plan is basically comprised of two previously approved projects. However, one new sub-project with a 2008 project cost of \$1.900 million is required to sustain the POA Court Case Management Application System and Hardware.

POA Application Development – Court Case Management Application System

This previously approved sub-project is for the development of a stand-alone court case management application system in accordance with City standards and specifications while assuring capabilities to interface with the current provincially owned and managed ICON (Integrated Court Offences Network) application system. The ICON system is in use by all Ontario Provincial Offences Courts, including the Toronto Court Services. However, the ICON system is outdated, slow and does not have the necessary features for the effective management of the large volume of caseload in the Toronto courts. The New Court Case Management Application System will bridge City business/operational needs with that of the Province's ICON Case Management System. New cash flow funding in the amount of \$2.0 million in 2007 and \$2.0 million in 2008 is required.

POA Application Development – System Sustainment

A new future year sub-project with a 2008 Project Cost of \$1.900 million with a projected cash-flow of \$0.250 million in 2008, \$0.700 million in 2009 and \$0.950 million in 2010 is required to sustain the POA Court Case Management Application System and Hardware upgrade and replacement of equipment that will retire after 5-6 years.

Courthouse Facilities Renovation – South District

This previously approved sub-project requires funding in the amount of \$1.100 million in 2007, \$1.275 million in 2008 and \$0.425 million in 2009 to complete renovation work for additional offices at Old City Hall.

The future year capital requirements, beyond the 5-Year Plan period, will be assessed by the Program. However, apart from technology related issues, it is unlikely that any significant capital funding will be required over the next several years.

Multi Year Debt Affordability Target

All projects in the Recommended 2007-2011 Capital Plan are fully funded by the Provincial Offences Courts Stabilization Reserve Fund. There are no set debt affordability targets for Court Services. The Courts Stabilization Reserve Fund, created in 2001 when City assumed responsibility for managing the POA Courts, is the only funding source for Court Services' Capital Plan. The approval of the Recommended 5-Year Plan will result in the near depletion of this Reserve Fund, leaving a balance of less than a million dollars to spend on any other capital needs, particularly technology-related needs. Thus, any long term funding pressures beyond 2010 for any new projects that are unforeseen at present will require debt funding.

State of Project Readiness

The 5-Year Plan provides funding to complete the previously approved projects to provide well secured courthouse facilities with adequate space and suitable technological infrastructure. Court Services is working closely with service providers (Information & Technology for the POA Application Development Project, and Facilities and Real Estates for the renovation of Courthouse Facilities in the South district) to meet the project targets.

Recommended Changes to the 5-Year Plan

There are no recommended changes to the 5-Year Plan considered in July 2006.

Backlog of Projects – Unmet Needs

The Recommended 5-Year Plan addresses the legislative requirements for the Program. The long-term capital requirements, including the conceptual plan for the future consolidation of the Toronto South Courts, will be assessed by the Program.

Operating Impact of the 5-Year Capital Plan

An annual operating cost of \$36.0 thousand starting in 2008, with an incremental impact of \$2.0 thousand in 2009, \$3.0 thousand in 2010 and \$2.0 thousand in 2011 will be required for the operation and upkeep of the digital audio recording equipment system.

Pre-approvals

City Council on December 5 and 6, 2006 approved the pre-approval request from Court Services to withdraw \$1.310 million from the Provincial Offences Courts Stabilization Reserve Fund, for the Program's previously approved projects. This funding is required to complete the procurement and installation of digital technology equipment for audio recording; the repairs and renovations to the Courthouse Facilities at South and East; and for the procurement of a Development & Quality Assurance (QA) database server and associated software for the POA Application Development Sub-Project. This project is to develop and install a New Court Case Management Application System to bridge City business/operational needs with that of the Province's ICON Case Management System, and is scheduled for completion in 2008.

**Total 2007 Recommended Cash Flow & Future Year Commitments
(\$000s)**

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
Expenditures													
Previously Approved		3,100		3,100		1,250	4,350	3,275	425				8,050
Change in Scope													
New													
New w/Future Year													0
Total Expenditure	0	3,100	0	3,100		1,250	4,350	3,275	425	0	0	0	8,050
Financing													
Debt													
Subsidy (SCPI)													
Prov. Subsidy/Grant													
Development Charges													
Other													
Federal Grants													
Reserves/Res Funds		3,100		3,100		1,250	4,350	3,275	425				8,050
Total Financing	0	3,100	0	3,100		1,250	4,350	3,275	425	0	0	0	8,050

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget (\$4.350 million including a 2006 carry forward of \$1.250 million), which is comprised of Previously Approved Projects, will result in a future year capital cost encumbrance totalling \$3.700 million: \$2.000 million in 2008 for the POA Application Development – Court Case Management Application System; and \$1.275 million in 2008 and \$0.425 million in 2009 to complete the Courthouse facility renovation work at Old City Hall.
- The 2007 Recommended Capital Budget and the future year commitments will be fully funded by the Provincial Offences Courts Stabilization Reserve Fund.

2007 Recommended Capital Budget

2007 Recommended Capital Budget versus Debt Target

The 2007 Recommended Capital Budget for Court Services is fully funded by the Provincial Offences Courts Stabilization Reserve Fund.

Capacity / Project Readiness

The previously approved projects and the 2006 carry forward funding form the basis for the Court Services 2007 cash flow requirements. The carry forward funding is required to complete the Approved 2006 Projects during the 1st Quarter of 2007. New funding of \$3.100 million in 2007 reflects funding requirements to commence/continue work on Previously Approved projects.

Operating Budget Impact

Incremental Operating Budget Summary

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	0.0	36.0	2.0	3.0	2.0
Debt Service Charges (\$000s)	0.0	0.0	0.0	0.0	0.0
Approved Positions	0	0	0	0	0

Program Incremental Operating Costs

The 2007 Recommended Capital Budget will increase the Program’s Operating Budget, with incremental impacts in 2008 and future years as a result of the following capital projects/subproject:

2007 Capital Projects/Sub-Projects		2007 (\$000s)	2007 approved position change	2008 (\$000s)
POA Application Development	Digital Audio Recording System - Phase 1 of the POA Application Development Project	0.0	0	36.0
TOTAL		0.0	0	36.0

The 2008 incremental operating cost outlined above represents the cost of miscellaneous materials needed for the operation and upkeep of the digital audio recording system beginning in 2008.

PART II: ISSUES FOR DISCUSSION**5-Year Capital Plan Issues****Future Year Targets**

Council, at its meeting of July 24, 25 and 26, 2001, approved the Provincial Offences Court Stabilization Reserve Fund Account to receive the unallocated pre-transfer revenues from the Province, as well as any net Operating revenues above \$8.5 million for the first five years, following the transfer of POA administration from the Province to the City, which took place in 2002. However, no surplus Operating funds have been transferred to the fund account during the last five years. Council approved this Reserve Fund with the intent to fund the 2001 start-up operating costs and to pay the capital expenses, without resorting to increased borrowing by the City.

The approval of the Recommended 5-Year Capital Plan will almost deplete the projected year-end 2006 Reserve Fund balance of \$10.698 million, leaving a balance of only \$0.748 million at the end of 2010 to spend on any other capital needs, particularly technology-related needs, that are unknown at this time. Thus, any additional capital requirements for projects not anticipated currently may need to be debt funded.

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Proposed Withdrawals					
		2006	2007	2008	2009	2010	2011
		\$000	\$000	\$000	\$000	\$000	\$000
Provincial Offences Courts Stabilization Reserve Fund - XR1704	Balance as at September 30.	11,975					
	Projected draws/commitments from October 1 to December 31.	(1,277)					
	2006 C/F draws in 2007		(1,250)				
	POA Application Development Phase 2 - TCS906629-1		(2,000)	(2,000)			
	POA Application - HW Sustainment & Upgrade - TCS906629 -2			(250)	(700)	(950)	
	Courthouse Facilities Repairs & Renovation - South - TCS906884 - 1		(1,100)	(1,275)	(425)		
	Proposed Annual Withdrawals	(1,277)	(4,350)	(3,525)	(1,125)	(950)	0.0
Year-end, December 31 C/F Balance		10,698	6,348	2,823	1,698	748	748

Appendices 1-3 not available online.